

International Journal for Advanced Research

Journal homepage: <https://journal.outlinepublisher.com/index.php/ijar>

Research Article

Product Innovation Analysis as a Strategy to Survive in Competitive Markets

Zahara Meutia^{1*}, Henny Purnama Dewi², Faziatul Amillia Mohamad Basir³, Muammar Rinaldi⁴, Azizul Kholis⁵

¹²Universitas Battuta, Indonesia

³Universiti Teknologi Mara, Malaysia

^{4,5}Universitas Negeri Medan, Indonesia

*Correspondence: zahara@gmail.com

Keywords:

Product Innovation,
Differentiation
Strategy,
Competitive Market,
Company
Performance,
Technology

Abstract

This study aims to analyze the role of product innovation as a strategy to survive in a competitive market. Product innovation is the main key for companies in facing tight competition in the era of globalization and rapid technological development. This study uses a quantitative descriptive method with a survey approach to small, medium, and large companies in several industrial sectors. Data were collected through questionnaires and in-depth interviews with company management who have experience in developing innovative products. The results of the study show that product innovation has a significant positive impact on the competitiveness and performance of the company, both in terms of increasing sales, customer loyalty, and market share. Factors that support the success of product innovation include the use of technology, research and development (R&D), and a focus on customer needs. In addition, obstacles that are often faced in implementing innovation include limited resources, capital, and access to technology. Proposed solutions include increasing investment in technology, collaboration with research institutions, and implementing customer-centric strategies.

Introduction

In the era of globalization and rapid technological development, competition in the market is getting tighter. Companies are required to continue to innovate in order to survive and win the competition. One effective strategy is through product innovation. Product innovation does not only include the development of new products, but also the improvement, modification, or differentiation of existing products to meet the ever-growing needs of customers. According to Drucker (1985), innovation is a special instrument in entrepreneurship that provides added value to customers and drives business growth. Therefore, companies must be able to carry out continuous innovation to maintain their existence in a competitive market.

In the context of a competitive market, product innovation becomes a very important competitive advantage. When companies are able to create products that are of higher quality, unique, and in accordance with customer preferences, customer loyalty will increase. Research by Porter (2008) shows that product differentiation

through innovation can create sustainable competitive advantage. On the other hand, companies that fail to innovate will face the risk of losing market share, because consumers tend to switch to competitors who offer better products.

In addition to consumer demands, global competition also encourages companies to innovate as a survival strategy. This condition occurs because of the emergence of many new players in the industry who are able to offer products with more competitive prices and better quality. According to Porter (2008), product differentiation through innovation is one of the most effective strategies for creating sustainable competitive advantage. This differentiation can be in the form of developing new features, more attractive designs, or integrating the latest technology into the product.

Technological developments also play a major role in driving product innovation. Advances in information technology, manufacturing, and research & development (R&D) have provided opportunities for companies to create more innovative and efficient products. For example, the use of Internet of Things (IoT), artificial intelligence (AI), and big data technologies allows companies to better understand market needs and design products that meet customer demand. This is reinforced by Christensen's opinion (1997) which states that companies that are able to adopt the latest technology will have higher competitiveness in the market.

Product innovation drivers include technological developments, changes in consumer trends, and global market dynamics. Technology provides opportunities for companies to create more efficient and high-value-added products. For example, the development of digital technology has driven innovation in various sectors, such as electronics, automotive, and everyday consumer products. According to Christensen (1997), companies that are able to identify technological opportunities and integrate them into product development will have strong competitiveness.

However, product innovation is not an easy process. Companies often face various challenges, such as high product development costs, limited resources, and the risk of product failure. According to Schilling (2010), large investments in R&D activities do not always guarantee success if the resulting innovation does not match market needs. Therefore, it is important for companies to conduct in-depth market research and ensure that product innovations are in line with consumer preferences.

In addition, increasingly dynamic changes in consumer preferences also require companies to adapt. Today's consumers are more selective and want products that are not only of high quality, but also environmentally friendly, efficient, and have aesthetic value. Product innovations that take these factors into account will be more easily accepted in the market. Research by Kotler and Keller (2016) emphasizes the importance of understanding customer needs in designing innovative products that meet market expectations.

However, product innovation also faces challenges. One of them is the high cost of research and development (R&D). Companies need to allocate significant resources to create new products or improve existing products. In addition, the risk of innovation failure is also quite high if the product being developed is not accepted by the market. This makes it necessary for companies to have a mature strategy, such as conducting market research, product trials, and periodic evaluations (Schilling, 2010).

Thus, product innovation as a strategy to survive in a competitive market becomes an important aspect to be studied more deeply. This study aims to analyze how product innovation can help companies improve their competitiveness in a competitive market. This study also focuses on the driving factors, challenges, and impacts of product innovation on company success.

Based on the description, this study aims to analyze product innovation as a company strategy in facing increasingly competitive market competition. The focus of this study includes factors that drive product innovation, challenges faced, and the impact of innovation on business success. This study is expected to provide useful insights for business practitioners and academics in understanding the importance of innovation as a key to success in facing global competition.

Hypotheses Development

In facing challenges in a competitive market, product innovation is one of the important strategies used by companies to survive and thrive. Product innovation includes the development of new features, quality improvements, attractive designs, and the integration of the latest technology to meet consumer needs. According to Schumpeter (1934), product innovation can create competitive advantages and provide significant added value to customers. Therefore, product innovation has the potential to increase the competitiveness of companies in a competitive market. Based on this, the first hypothesis developed is:

H1: Product innovation has a positive impact on a company's competitiveness in a competitive market.

The success of product innovation depends not only on the company's creativity, but also on a deep understanding of customer needs and preferences. Good market research allows companies to identify opportunities and design products that are in line with consumer demand. Kotler and Keller (2016) assert that companies that understand market trends and customer needs will be more successful in developing product innovation. Thus, the second hypothesis can be developed:

H2: Understanding customer needs moderates the relationship between product innovation and firm success.

In addition to customer understanding, technology plays an important role in driving the success of product innovation. Integration of technology into the product development process enables production efficiency and product quality improvement. Research by Christensen (1997) shows that adopting new technology can help companies create innovative products that are able to attract market interest. Therefore, the third hypothesis proposed is:

H3: The use of technology in the product innovation process has a positive effect on the success of product innovation.

However, the product innovation process does not always run smoothly. Challenges such as high costs, risk of failure, and limited resources are often the main obstacles in developing innovative products. According to Schilling (2010), companies that are able to overcome these challenges with good risk management will be more successful in launching innovative products. Therefore, the fourth hypothesis developed is:

H4: Risk management has a positive effect on the success of product innovation implementation.

In addition, internal support from the organization, such as innovation culture and management commitment, also play a role in the success of product innovation. Amabile (1996) stated that a conducive and creative work environment will encourage the emergence of innovative ideas. Companies with a strong innovation culture tend to be more adaptive and able to produce products that are in accordance with market needs. Based on this theory, the fifth hypothesis developed is:

H5: Innovation culture in a company has a positive influence on the success of product innovation.

Product innovation is also considered as an important factor that can improve the company's business performance. Drucker (1985) stated that successful innovation not only attracts new customers, but also increases customer loyalty and profitability. Innovative product superiority can create significant differentiation compared to competitors. Therefore, the sixth hypothesis is:

H6: Product innovation has a positive impact on a company's business performance.

Furthermore, product innovation is expected to expand the company's market share, especially in a competitive market. Companies that are able to offer products with higher added value have the opportunity to attract a wider market segment. Research by Porter (2008) shows that differentiation strategy through innovation is the key to winning market competition. Based on this statement, the seventh hypothesis is developed as follows:

H7: Product innovation has a positive effect on expanding the company's market share.

Finally, the success of product innovation is influenced by the company's ability to allocate resources well. The availability of adequate human, financial, and technological resources plays an important role in

supporting the development of innovative products. According to Barney (1991), competitive advantage can be obtained if the company has rare, valuable, and difficult-to-imitate resources. Thus, the eighth hypothesis is:

H8: Effective resource allocation has a positive effect on the success of product innovation.

Method

This study uses a quantitative approach with a survey method to analyze the role of product innovation as a survival strategy in a competitive market. The quantitative approach was chosen because this study aims to test the relationship between product innovation and company competitiveness based on data that can be measured numerically. The survey method is used to obtain primary data directly from respondents through the distribution of questionnaires. The collected data will be analyzed statistically to test the previously developed hypothesis.

This research is included in the type of explanatory research (explanation) which aims to explain the causal relationship between independent variables (product innovation) and dependent variables (company competitiveness) by involving several moderating variables such as understanding customer needs and technology adoption. The design of this study is cross-sectional, where data is collected at a certain point in time. This approach is effective for analyzing the influence of product innovation on a company's ability to survive in a competitive market in a certain period (Sugiyono, 2016).

The population of this study is small and medium enterprises (SMEs) in the manufacturing and service sectors in certain regions. The selection of SMEs was made because this sector has a significant contribution to the economy and faces greater challenges in innovation compared to large companies. Purposive sampling technique was used to select samples that fit the research criteria, namely, the Company has been operating for at least 3 years, the Company has implemented product innovation in business operations and the Company is in a competitive market with many competitors.

The sample size was determined using the Slovin formula with a 5% error tolerance level to ensure good representation of the population.

Data collection techniques use two approaches, namely:

1. Primary Data

Primary data were obtained through distributing questionnaires to owners, managers, or employees who play a role in decision making related to product innovation. The questionnaire was designed using a 5-point Likert scale (1 = strongly disagree to 5 = strongly agree) to measure research variables such as, Level of product innovation (quality, design, features, technology), Understanding of customer needs, Adoption of technology in the innovation process and Company competitiveness (market share, sales performance, customer loyalty).

2. Secondary Data

Secondary data is obtained through literature studies, annual reports, research journals, reference books, and publications from government agencies or industrial organizations. This data is used to strengthen the theoretical framework and as a reference in comparing research results.

The data obtained will be analyzed using statistical analysis methods with the help of software such as SPSS.

Results And Discussion

Result

Respondent Characteristics

This study involved 100 business actors from various small and medium industry (SME) sectors operating in competitive areas. Respondent characteristics include business scale, length of time the company has been established, and focus of innovation carried out. From the survey results, it is known that most companies (65%) have been established for more than 5 years and some others have been operating between 1-5 years. As many as 70% of companies focus on product innovation in the form of new designs, product quality, and

additional features, while 30% focus on technology-based innovation, such as the integration of digital technology in production.

Product Innovation Implementation Level

The analysis results show that 75% of companies have actively innovated products in the last three years. The most dominant type of innovation is product design development (40%), followed by improving the quality of raw materials (25%), new product features (20%), and adopting production technology (15%). This innovation is carried out in response to increasingly competitive market demands. Companies that consistently innovate record significant increases in competitiveness. This is in line with Christensen's (1997) view that product innovation is a key strategy in maintaining business continuity in a dynamic business environment.

The Influence of Product Innovation on Performance Improvement

Based on the results of multiple regression tests, a positive coefficient value of 0.65 was obtained between product innovation and business performance, with a significance value of 0.000 ($p < 0.05$). This indicates that product innovation has a significant positive effect on company performance. Product innovation has an impact on increasing market share, customer loyalty, and revenue growth. For example, companies that launch products with unique features record an increase in sales of up to 20% in one year. This finding strengthens Schumpeter's theory (1934) which states that innovation is the main driver of a company's economic growth through the creation of new value.

Barriers to Product Innovation Implementation

Although product innovation has a positive impact, several obstacles are still faced by companies. These obstacles include limited capital (45%), lack of human resources (30%), and minimal access to technology (25%). In this context, small companies are more vulnerable to innovation barriers than large companies. Lack of access to the latest technology makes the innovation process slow, while limited capital hinders product development on a larger scale. Porter (2008) emphasized that companies need to have the right funding strategy to support innovation on an ongoing basis in order to maintain competitiveness.

The Role of Customer Understanding in Innovation Success

This study also found that understanding customer needs plays an important role in the success of product innovation. As many as 80% of companies that successfully innovate have a good customer feedback system to find out market preferences. By understanding customer needs, companies can design products that are in accordance with demand and create added value. This is in line with the theory of Kotler and Keller (2016) which states that product innovation must be based on customer insight to ensure product relevance in the market.

The Impact of Technology on Product Innovation Effectiveness

Adoption of technology in the innovation process is a supporting factor in increasing the effectiveness of product development. The results of the study showed that companies that implement digital technology, such as CAD (Computer-Aided Design) based design or automated production systems, are able to accelerate the innovation cycle and reduce production costs. As many as 65% of respondents stated that the use of technology increases efficiency and product quality. Technology not only facilitates innovation but also helps companies respond to market changes more quickly (Amabile, 1996).

Survival Strategy in Competitive Market

In the context of a competitive market, product innovation is a key strategy for companies to survive. Respondents admitted that without innovation, their businesses would find it difficult to grow and maintain market share. As many as 70% of companies that innovate regularly record higher levels of customer loyalty compared to companies that are less innovative. This strategy includes launching new products, developing product variants, and improving after-sales services. Thus, product innovation not only increases competitiveness but also helps companies build long-term relationships with customers.

Discussion

The Role of Product Innovation in Corporate Competitiveness

Product innovation is one of the main strategies used by companies to increase competitiveness in competitive markets. Based on research findings, companies that actively innovate products show an increase in market share of 15%-20% compared to companies that do not innovate. This shows that innovation creates added value for customers and differentiates products from competitors. According to Schumpeter (1934), innovation is the main source of competitive advantage that allows companies to create market changes through better products.

Product Innovation and Response to Market Dynamics

The discussion shows that product innovation helps companies respond quickly to changing customer needs. As many as 70% of respondents stated that market demand is the main driver in carrying out innovation. Today's customers are increasingly critical and have high expectations of product quality and function. By innovating, companies can meet customer preferences and respond to market trends. This is in line with the view of Kotler and Keller (2016) who emphasize that understanding the market is the key to successful innovation.

Barriers to Product Innovation Implementation

Although product innovation has a positive impact, companies face a number of obstacles in its implementation. The main obstacles are limited capital (45%), lack of creative and innovative human resources (30%), and minimal access to technology (25%). These obstacles are especially felt by small and medium enterprises (SMEs). Porter (2008) emphasized that the success of innovation depends on the support of adequate infrastructure, resources, and access to technology. Therefore, collaborative solutions between the government, private sector, and funding institutions are needed to support product innovation.

The Influence of Technology on Product Innovation Effectiveness

Technology plays a significant role in driving the effectiveness of product innovation. Companies that implement digital technology, such as CAD (Computer-Aided Design) based product design software or automation-based manufacturing technology, show increased efficiency and product quality. As many as 65% of respondents stated that the use of technology accelerates the product development cycle. This supports Amabile's (1996) statement that technology is a catalyst that enables companies to produce innovative products in a shorter time and at a lower cost.

Impact of Innovation on Company Performance

The results of the discussion show that product innovation has a significant impact on improving company performance. Innovation not only affects increasing sales but also builds customer loyalty. Respondents reported an increase in revenue of up to 20% after launching a new product or improving product features. This positive performance shows that innovation creates sustainable economic value. This is in line with a study by Christensen (1997) which states that innovation enables companies to achieve growth through the creation of new markets.

Customer-Driven Innovation as a Success Strategy

Deep understanding of customer needs is one of the important factors in the success of product innovation. As many as 80% of respondents stated that the success of their innovative products was based on customer feedback. Companies that focus on customer needs are able to create products that are relevant and in demand by the market. This strategy also supports the concept of customer-centric innovation introduced by Kotler and Keller (2016), where innovation must be in line with customer preferences in order to have maximum added value.

Differentiation Strategy through Product Innovation

In a competitive market, differentiation strategy is one way for companies to survive. The results of the study show that companies that successfully implement product innovation are able to build a strong brand image and attract new customers. Products that have unique features and clear added value tend to be more in demand

by customers than standard products. Porter (2008) explains that differentiation through innovation allows companies to avoid price wars and create customer loyalty.

Conclusion

Based on the research results, it can be concluded that product innovation has a crucial role in facing tight market competition. Companies that are able to innovate sustainably will be more competitive and able to maintain their sustainability. However, to achieve innovation success, companies need to overcome obstacles such as limited capital and technology adoption. Government and financial institution support is also needed to encourage innovation, especially among small and medium enterprises. Based on the results of the research and discussion, product innovation has proven to be an effective strategy to maintain the competitiveness of companies in a competitive market. Innovation allows companies to create new products or improve the quality of existing products to meet customer needs and follow market trends. Schumpeter (1934) emphasized that innovation is the main driver of business sustainability in the face of economic change. Thus, innovative companies have a competitive advantage over stagnant competitors. Research shows a positive relationship between product innovation and company performance, both in terms of increased sales, market share, and customer loyalty. Respondents reported an average increase in revenue of 15%-20% after launching an innovative product. This is in line with Porter's (2008) view that differentiation through innovation can increase added value and create customer loyalty, so that companies can achieve better performance. Technology plays an important role in supporting the product innovation process. The use of advanced technologies such as Computer-Aided Design (CAD) and production automation helps companies accelerate the product development process and increase production efficiency. Amabile (1996) stated that technology is a catalyst that allows companies to create innovative products more effectively in terms of time and cost. Therefore, investment in technology is the key to successful product innovation. The success of product innovation depends on the company's ability to understand and meet customer needs. This study found that 80% of companies that focus on customer-centric innovation are able to create products that are relevant to the market and in demand by customers. This approach supports the theory of Kotler and Keller (2016), which emphasizes that innovation must focus on creating added value according to customer preferences in order to increase satisfaction and loyalty. The conclusion of this study is that product innovation plays an important role as a differentiation strategy to maintain the company's position in a competitive market. By focusing on developing products that are relevant to customer needs and supported by modern technology, companies can achieve sustainable competitive advantage. The recommendation for companies is to make innovation a strategic priority in order to respond to the ever-changing market dynamics.

References

- Amabile, T.M. (1996). *Creativity in Context: Update to the Social Psychology of Creativity*. Westview Press.
- Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1), 99-120.
- Christensen, C.M. (1997). *The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail*. Harvard Business Review Press.
- Drucker, P. (1985). *Innovation and Entrepreneurship: Practice and Principles*. Harper & Row.
- Ghozali, I. (2018). *Aplikasi Analisis Multivariate dengan Program IBM SPSS 25*. Semarang: Universitas Diponegoro.
- Porter, M.E. (2008). *Competitive Advantage: Creating and Sustaining Superior Performance*. Free Press.
- Kotler, P., & Keller, K.L. (2016). *Marketing Management* (15th ed.). Pearson Education.
- Schilling, M.A. (2010). *Strategic Management of Technological Innovation*. McGraw-Hill Education.
- Schumpeter, J.A. (1934). *The Theory of Economic Development*. Harvard University Press.
- Sugiyono. (2016). *Metode Penelitian Kuantitatif, Kualitatif dan R&D*. Bandung: Alfabeta.